

KWA SANI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 29 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date

**KWA SANI MUNICIPALITY
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**KWA SANI MUNICIPALITY
GENERAL INFORMATION**

COUNCIL MEMBERS

Mrs E McNamara	(Mayor and District Council Representative)
Mr M Banda	(Deputy Mayor)
Mr D Adam	
Mrs M Bather	
Mr P Joxo	

GRADING OF MUNICIPALITY

Grade 1

AUDITORS

Auditor General

BANKERS

First National Bank of South Africa Limited

REGISTERED OFFICE

Arbuckle Street	P O Box 43	Telephone Number
Himeville	Himeville	033-7021060
3256	3256	

MUNICIPAL MANAGER (Acting)

Mrs S McAllister

CHIEF FINANCIAL OFFICER

Mr N Collins

KWA SANI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		20 236 991	16 095 392
Capital replacement reserve		1 155 672	1 574 284
Capitalisation reserve		393 119	433 713
Government grant reserve		12 139 328	8 338 224
Donations and public contributions reserve		4 586	4 750
Revaluation reserve		2 303 775	2 391 780
Accumulated Surplus		4 240 511	3 352 641
Non-current liabilities			
Long-term liabilities	1	3 219 463	178 243
Current liabilities		9 382 652	8 575 852
Creditors	2	1 167 045	3 313 446
Unspent conditional grants and receipts	3	7 780 835	5 200 351
Current portion of long - term liabilities	1	434 772	62 055
Total Net Assets and Liabilities		32 839 106	24 849 487
ASSETS			
Non-current assets		19 360 753	14 399 083
Property, plant and equipment	5	19 346 968	14 386 196
Long-term receivables	6	13 785	12 887
Current assets		13 478 353	10 450 404
Consumer debtors	7	1 301 139	642 687
Other debtors	8	292 562	1 633 407
Call investment deposits	9	9 610 876	7 328 051
Bank balances and cash	10	1 879 607	831 860
VAT	4	394 169	14 399
Total Assets		32 839 106	24 849 487

**KWA SANI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

Budget 2006 R	Budget 2007 R		Note	Actual 2007 R	Actual 2006 R
REVENUE					
4 915 919	5 489 224	Property rates	11	5 750 966	5 069 906
115 000	120 000	Property rates-penalties and charges		170 317	155 191
742 056	1 147 473	Service charges	12	1 001 104	700 056
75 000	64 000	Rental on facilities and equipment		190 383	102 006
78 000	118 000	Interest earned-external investments		592 392	229 942
60 000	120 000	Fines		122 650	28 300
240 000	273 219	Licences and permits		671 804	387 334
5 870 671	8 065 000	Government grants and subsidies	13	8 707 154	4 870 401
-	-	Capital grants	13	4 482 478	5 477 033
479 527	532 865	Other Income	14	1 023 087	590 049
-	-	Land sale proceeds		-	70 000
12 576 173	15 929 781	Total Revenue		22 712 335	17 680 218
EXPENDITURE					
4 514 889	6 073 932	Employee related costs	15	5 235 068	4 012 757
270 914	127 659	Remuneration of Councillors	16	485 071	270 982
176 240	183 000	Bad debts	22	1 203 496	176 232
811 191	1 990 989	Depreciation		1 163 825	598 264
376 050	312 656	Repairs and maintenance		365 501	306 630
315 950	249 965	Interest paid	17	131 440	499
-	-	Grants paid		-	-
5 924 028	6 732 128	General expenses		8 107 733	5 603 896
-	-	Interest earned - transferred to conditional grants and reserves		508 591	190 546
-	-	Housing Projects expenditure	13	1 342 407	-
-	-	Loss on scrapping of plant and equipment		-	34 937
104 775	104 775	Contribution to Capital Replacement Reserve		-	-
-	-	Transfer to Capital Replacement Reserve		-	70 000
12 494 037	15 775 104	Total Expenditure		18 543 132	11 264 743
82 136	154 677	SURPLUS FOR THE YEAR		4 169 203	6 415 475
Refer to Appendix E (1) for explanations of variances					

KWA SANI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
Balance at 30 June 2005	1 210 833	474 775	3 212 048	8 414	2 391 780	2 261 663	9 559 513
2006							
Surplus for the year						6 415 475	6 415 475
Contributions	597 776					(597 776)	-
Capital receipt	70 000						70 000
Interest on investment	50 404						50 404
Property, plant and equipment purchased	(354 729)					354 729	-
Capital grants used to purchase PPE			5 477 033			(5 477 033)	-
Offsetting of depreciation		(40 765)	(350 518)	(164)		391 447	-
Property, plant and equipment scrapped		(297)	(339)	(3 500)		4 136	-
Balance at 30 June 2006	1 574 284	433 713	8 338 224	4 750	2 391 780	3 352 641	16 095 392
2007							
Surplus for the year						4 169 203	4 169 203
Contributions	104 775					(104 775)	-
Interest on investment	60 401						60 401
Property, plant and equipment purchased	(583 788)					583 788	-
Capital grants used to purchase PPE			4 482 478			(4 482 478)	-
Offsetting of depreciation		(40 594)	(681 374)	(164)		722 132	-
Adjustment to land values					(88 005)		(88 005)
Property, plant and equipment scrapped							-
Balance at 30 June 2007	1 155 672	393 119	12 139 328	4 586	2 303 775	4 240 511	20 236 991

KWA SANI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		25 287 693	19 860 544
Cash paid to suppliers and employees		(19 618 510)	(7 896 492)
Cash generated from/(utilised in) operations	18	5 669 183	11 964 052
Interest received		592 392	229 942
Interest paid		(131 440)	(499)
NET CASH FLOW FROM OPERATING ACTIVITIES		6 130 135	12 193 495
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6 212 602)	(8 155 817)
(Increase)/decrease in long - term receivables		(898)	(39)
(Increase)/decrease in call investment deposits		(2 282 825)	(3 936 907)
Land sale proceeds		-	70 000
NET CASH FLOW FROM INVESTING ACTIVITIES		(8 496 325)	(12 022 763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan raised/(repaid)		3 413 937	240 298
Transfer to Capital Replacement Reserve		-	(70 000)
NET CASH FROM FINANCING ACTIVITIES		3 413 937	170 298
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 047 747	341 030
Cash and cash equivalents at the beginning of the year		831 860	490 830
Cash and cash equivalents at the end of the year	19	1 879 607	831 860

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements

GRAP 2 : Cash flow statements

GRAP 3 : Accounting policies, changes in accounting estimates and errors

GAMAP 4 : Effects of changes in foreign exchange rates

GAMAP 9 : Revenue

GAMAP 7 : Accounting for investments in associates

GAMAP 8 : Financial reporting of interests in joint ventures

GAMAP12 : Inventories

GAMAP17 : Property, plant and equipment

GAMAP19 : Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 - Gazette 30013 - exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements. A summary of the significant accounting policies, which have been consistently applied, except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/deficit to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/deficit in terms of a directive issued by National Treasury.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

4.2 Capitalisation Reserve (continued)

The purpose of this Reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.5 Revaluation Reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost less accumulated depreciation, except land, which is revalued as indicated below.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	10	Building	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
Community		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and carrying value and is recognised in the Statement of Financial Performance.

In 2005/2006 the requirements of GAMAP 17 and IAS 36 were not complied with as follows :

- Review of useful life of items of property, plant and equipment recognised in the annual financial statements
- Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognised in the annual financial statements

In 2006/2007 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

6. REVALUATION OF LAND

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 28 February 2002.

7. ACCOUNTS RECEIVABLE AND CREDITORS

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade creditors are stated at their nominal value.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

8. FINANCIAL INSTRUMENTS

In 2005/2006 the requirements of IAS 39 were not complied with in that financial assets and financial liabilities were not measured at fair value. In addition the disclosure requirements of IAS 32 were not complied with.

In 2006/2007 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

9. REVENUE RECOGNITION

In 2005/2006 revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

This policy has been followed in 2006/2007 due to the exemption granted in Gazette 30013 (see note 1).

9.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

9.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

9. REVENUE RECOGNITION (continued)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

12. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

13. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

14. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. COMPARATIVE INFORMATION

16.1 Current year comparatives:

Budgeted amounts have been included in the annual statements for the current financial year only.

16.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

17. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**KWA SANI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

18. INVESTMENTS

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.
See also note 8.

19. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

In 2005/2006 lease expenditure was recognised in accordance with the actual cash outflows. This policy has continued in 2006/2007 due to the exemption granted in Gazette 30013 (see note 1).

20. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. LONG - TERM LIABILITIES		
Annuity liability	3 278 881	-
Capitalised lease liabilities	350 553	240 298
Instalment sale liability	136 034	-
	<u>3 765 468</u>	<u>240 298</u>
Less : Finance charges	(111 233)	-
	<u>3 654 235</u>	<u>240 298</u>
Less : Current portion transferred to current liabilities	(434 772)	(62 055)
Total long-term liabilities	<u>3 219 463</u>	<u>178 243</u>
<p>Refer to Appendix A for more detail on long-term liabilities. The annuity liability is secured over investment deposits of R 1,045,516 (see note 9). The capitalised lease liabilities are secured over vehicles with a net value of R 395,442. The instalment sale liability is secured over a vehicle with a net value of R 134,995. Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.</p>		
2. CREDITORS		
Trade creditors	255 682	1 761 449
Retention creditors	102 365	583 228
Debtors credit balances	427 362	388 325
Staff leave	267 389	486 684
Other creditors	114 247	93 760
Total creditors	<u>1 167 045</u>	<u>3 313 446</u>
<p>Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.</p>		
3. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
3.1 Conditional grants from other spheres of Government		
Specific Projects (see note 13)	5 829 972	3 712 000
3.2 Other Conditional Receipts		
ESCOM - free electricity (see note 13)	1 026 010	687 627
Free basic services (see note 13)	549 688	800 724
Housing Projects (see note 13)	375 165	-
Total Conditional Grants and Receipts	<u>7 780 835</u>	<u>5 200 351</u>
<p>See Note 13 for reconciliation of grants from all spheres of government. These amounts are invested in ring-fenced investments until utilised. Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.</p>		
4. VAT		
VAT refundable	<u>394 169</u>	<u>14 399</u>
<p>VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.</p>		

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

**5. PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2007**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastruc- ture</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2006	4 181 501	8 502 063	412 746	1 289 886	14 386 196
Cost	2 181 929	9 447 728	493 698	2 215 429	14 338 784
Revaluation	2 391 780	-	-	-	2 391 780
Accumulated depreciation	(392 208)	(945 665)	(80 952)	(925 543)	(2 344 368)
- Cost	(392 208)	(945 665)	(80 952)	(925 543)	(2 344 368)
- Revaluation	-	-	-	-	-
Acquisitions	-	5 334 039	547 005	386 268	6 267 312
Adjustments	(88 005)			(54 710)	(142 715)
Depreciation	(74 311)	(666 060)	(46 825)	(376 629)	(1 163 825)
Carrying value of scrappings					-
Cost/revaluation					-
Accumulated depreciation					-
Carrying values at 30 June 2007	4 019 185	13 170 042	912 926	1 244 815	19 346 968
Cost	2 093 924	14 781 767	1 040 703	2 546 987	20 463 381
Revaluation	2 391 780	-	-	-	2 391 780
Accumulated depreciation	(466 519)	(1 611 725)	(127 777)	(1 302 172)	(3 508 193)
- Cost	(466 519)	(1 611 725)	(127 777)	(1 302 172)	(3 508 193)
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.

The effective date of the last revaluation was 28 February 2002

Vehicles are secured as set out in Note 1.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2006/2007 financial year.

This is due to the exemption granted in Gazette 30013 (see accounting policy note 1).

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

**5. PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2006**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastruc- ture</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2005	4 234 719	1 244 517	252 676	1 131 670	6 863 582
Cost	2 162 344	1 962 801	314 094	1 816 508	6 255 747
Revaluation	2 391 780	-	-	-	2 391 780
Accumulated depreciation	(319 407)	(718 284)	(61 418)	(684 838)	(1 783 947)
- Cost	(319 407)	(718 284)	(61 418)	(684 838)	(1 783 947)
- Revaluation	-	-	-	-	-
Acquisitions	19 585	7 484 927	179 604	471 701	8 155 817
Depreciation	(72 801)	(227 381)	(19 534)	(278 548)	(598 264)
Carrying value of scrappings				(34 937)	(34 937)
Cost/revaluation				(72 780)	(72 780)
Accumulated depreciation				37 843	37 843
Carrying values at 30 June 2006	4 181 501	8 502 063	412 746	1 289 886	14 386 196
Cost	2 181 929	9 447 728	493 698	2 215 429	14 338 784
Revaluation	2 391 780	-	-	-	2 391 780
Accumulated depreciation	(392 208)	(945 665)	(80 952)	(925 543)	(2 344 368)
- Cost	(392 208)	(945 665)	(80 952)	(925 543)	(2 344 368)
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.

The effective date of the last revaluation was 28 February 2002

Vehicles are secured as set out in Note 1.

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
6. LONG -TERM RECEIVABLES		
Staff loans	13 785	12 887
Total	13 785	12 887
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
7. CONSUMER DEBTORS		
Service debtors		
Rates	1 155 269	919 103
Refuse	173 832	113 008
Sundry	44 676	29 158
	<u>1 373 777</u>	<u>1 061 269</u>
Less: Provision for bad debts	(72 638)	(418 582)
Total	1 301 139	642 687
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
<u>Rates:Ageing</u>		
Current (0-30 days)	142 601	172 823
31 - 60 Days	207 442	2 628
61 - 90 Days	124 652	1 325
91 - 120 Days	111 089	142 158
120 - Days and more	569 485	600 169
Total	1 155 269	919 103
<u>Refuse and Sundry:Ageing</u>		
Current (0-30 days)	12 770	7 950
31 - 60 Days	41 396	5 136
61 - 90 Days	32 451	4 190
91 - 120 Days	18 613	25 149
120 -Days and more	113 278	99 741
Total	218 508	142 166
The debtors system does not cater for customer classification of debtors		
8. OTHER DEBTORS		
Sisonke District Municipality	274 875	1 478 370
Payments in advance	16 415	15 215
Government subsidies	-	14 304
Other	1 272	125 518
Total Other Debtors	292 562	1 633 407
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
9. CALL INVESTMENT DEPOSITS		
Other deposits	<u>9 610 876</u>	<u>7 328 051</u>
<p>Deposits of R1,155,672 (2006 : R1,574,284) will be ring-fenced and attributable to the Capital Replacement Reserve.</p> <p>Further deposits of R7,780,835 (2006 : R5,200,351) have also been ring-fenced to cover unspent conditional grants and receipts. Deposits of R 1,045,516 at 30 June 2007 have been ceded to the Development Bank of SA (DBSA) as collateral for the loan of R 3,417,312 taken up from DBSA. (see note 1)</p> <p>Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.</p>		
10. BANK BALANCES AND CASH		
10.1 <u>The Municipality has the following bank accounts:</u>		
<u>Current Account (Primary Bank Account)</u>		
First National Bank-Underberg Branch		
Account Number 62026224999		
Cash book balance at beginning of year	621 373	49 820
Cash book balance at end of year	<u>1 382 342</u>	<u>621 373</u>
Bank Statement balances at beginning of year	855 236	341 496
Bank Statement balances at end of year	<u>2 077 171</u>	<u>855 236</u>
<u>Business Cheque Accounts</u>		
First National Bank-Underberg Branch		
Account Number 62026225046		
Cash book balances at beginning of year	117 234	347 993
Cash book balances at end of year	<u>404 562</u>	<u>117 234</u>
Bank statement balances at beginning of year	117 234	517 283
Bank statement balances at end of year	<u>404 562</u>	<u>117 234</u>
Standard Bank-Pietermaritzburg Branch		
Account Number 0520700336		
Cash book balance at beginning of year	91 860	92 472
Cash book balance at end of year	<u>90 916</u>	<u>91 860</u>
Bank statement balance at beginning of year	91 860	92 472
Bank statement balance at end of year	<u>90 916</u>	<u>91 860</u>
<u>Total cash book balances at end of year</u>	1 877 820	830 467
10.2 <u>Cash balances</u>	1 787	1 393
Total bank balances and cash	<u>1 879 607</u>	<u>831 860</u>

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

KWASANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
11. PROPERTY RATES		
<u>Actual</u>		
Residential	3 764 744	4 106 765
Commercial	1 711 468	703 533
State	273 893	258 390
Municipal	861	1 218
Total Assessment Rates	5 750 966	5 069 906
<u>Valuations</u>		
Residential	31 773 400	29 985 500
Commercial	12 528 000	12 297 000
State	1 782 000	1 782 000
Municipal	14 000	14 000
Total Property Valuations	46 097 400	44 078 500
12. SERVICE CHARGES		
Refuse removal	1 001 104	688 538
Sundry charges	-	11 518
Total Service Charges	1 001 104	700 056
13. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	4 783 558	3 535 593
Specific Projects	2 317 018	1 334 808
Free Electricity	13 135	-
Free Basic Services	251 036	-
Housing Projects	1 342 407	-
Total Government Grants and Subsidies	8 707 154	4 870 401
13.1 Equitable share		
This grant has been used to cover operating expenditure.		
13.2 Specific Projects		
Balance unspent at beginning of year	3 712 000	1 762 039
Current year receipts	8 917 468	8 761 802
Capital expenditure funded - transferred to revenue	(4 482 478)	(5 477 033)
Conditions met - transferred to revenue	(2 317 018)	(1 334 808)
Conditions still to be met - transferred to liabilities (see note 3)	5 829 972	3 712 000
13.3 ESCOM-free electricity		
Balance unspent at beginning of year	687 627	402 997
Current year receipts	351 518	284 630
Conditions met - transferred to revenue	(13 135)	-
Conditions still to be met - transferred to liabilities (see note 3)	1 026 010	687 627
13.4 Free basic services		
Balance unspent at beginning of year	800 724	336 000
Current year receipts	-	464 724
Conditions met - transferred to revenue	(251 036)	-
Conditions still to be met - transferred to liabilities (see note 3)	549 688	800 724
13.5 Housing Projects		
Balance unspent at beginning of year	-	-
Current year receipts	1 717 572	-
Expenditure funded - transferred to revenue and expenditure	(1 342 407)	-
Conditions still to be met - transferred to liabilities (see note 3)	375 165	0

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Note 13 (continued)	2007 R	2006 R
13.6 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forth coming 3 financial years.		
14. OTHER INCOME		
Building plans	161 809	252 764
Tourism	253 824	306 611
Correcting balances brought forward from previous year	574 107	-
Other income	33 347	30 674
Total Other Income	1 023 087	590 049
15. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	3 564 137	2 973 132
Employee related costs - Contributions to UIF,pensions and medical aids	603 348	454 453
Travel, motor car, accommodation, subsistence and other allowances	197 696	80 839
Housing benefits and allowances	17 645	18 316
Overtime payments	852 242	430 376
Performance bonus	-	55 641
Total Employee Related Costs	5 235 068	4 012 757
There were no advances to employees.		
Remuneration of the Municipal Manager		
Annual Remuneration	-	243 431
Performance Bonuses	-	55 641
Car Allowance	-	19 500
Other Allowances (non-taxable)	-	21 872
Contributions to UIF,Medical and Pension Funds	-	22
Total	0	340 466
Remuneration of the Chief Finance Officer		
Annual Remuneration	286 577	278 376
Performance Bonuses	-	-
Housing subsidy	4 037	-
Car Allowance	-	12 000
Acting Allowance	4 037	2 637
Contributions to UIF,Medical and Pension Funds	81 924	87 175
Total	376 575	380 188
Remuneration of the Acting Municipal Manager		
Annual Remuneration	176 899	-
Performance Bonuses	-	-
Car Allowance	-	-
Acting Allowance	193 660	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	370 559	0
Remuneration of other Head of Department		
Annual Remuneration	-	163 200
Performance Bonuses	-	-
Car Allowance	-	-
Acting Allowance	-	78 202
Contributions to UIF, Medical and Pension Funds	-	1 411
Total	0	242 813

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
16. REMUNERATION OF COUNCILLORS		
Mayor	114 918	67 257
Deputy Mayor	93 964	49 240
Councillors	276 189	154 485
Total	485 071	270 982
17. INTEREST PAID		
External loans	130 773	-
Creditors	667	499
Total	131 440	499
18. CASH GENERATED BY OPERATIONS		
Surplus for the year	4 169 203	6 415 475
Adjustment for: -		
Depreciation	1 163 825	598 264
Contribution to bad debts provision	(304 048)	176 232
Expenditure charged to bad debts provision	(41 894)	(72 931)
Gain on disposal of property, plant and equipment	-	-
Loss on scrapping of property, plant and equipment	-	34 937
Investment income	(592 392)	(229 942)
Interest paid	131 440	499
Investment income : Capital Replacement Reserve	60 401	50 404
Operating surplus before working capital changes:	4 586 535	6 972 938
(Increase)/decrease in consumer debtors	(312 508)	(522 241)
(Increase)/decrease in other debtors	1 340 843	(43 960)
Increase/(decrease) in unspent conditional grants and receipts	2 580 484	2 699 315
Increase/(decrease) in creditors	(2 146 401)	2 670 748
(Increase)/decrease in VAT	(379 770)	117 252
Receipt credited to Capital Replacement Reserve	-	70 000
Cash generated by / (utilised in) operations	5 669 183	11 964 052
19. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	1 879 607	831 860

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
20. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
20.1 <u>Contributions to organized local government</u>		
Opening balance	-	-
Council subscriptions	15 279	52 757
Amount paid - current year	(15 279)	(52 757)
Amount paid - previous years	-	-
Balance unpaid	-	-
20.2 <u>Audit fees</u>		
Opening balance	5 287	95 942
Current year audit fee	145 000	146 996
Amount paid - current year	-	-
Amount paid - previous years	(129 119)	(237 651)
Balance unpaid (included in creditors)	21 168	5 287
The balance unpaid represents the estimated costs not paid at 30 June		
20.3 <u>VAT</u>		
VAT inputs receivables and VAT outputs payable are shown in note 4. All Vat returns have been submitted by the due date throughout the year.		
20.4 <u>PAYE, UIF and SDL</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	619 895	433 621
Amount paid - current year	(619 895)	(433 621)
Amount paid - previous years	-	-
Balance unpaid	-	-
20.5 <u>Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	697 413	581 515
Amount paid - current year	(697 413)	(581 515)
Amount paid - previous years	-	-
Balance unpaid	-	-

KWA SANI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
21. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
-Approved and contracted for	285 440	689 170
<i>Infrastructure</i>	-	689 170
<i>Community</i>	-	-
<i>Other - Housing Projects</i>	285 440	-
-Approved but not yet contracted for	0	0
<i>Infrastructure</i>	-	-
<i>Community</i>	-	-
<i>Other - Housing Projects</i>	-	-
Total	285 440	689 170
This expenditure will be financed from;		
-External Loans	-	-
-Capital Replacement Reserve	-	-
-Government Grants	285 440	689 170
-Own resources	-	-
Total	285 440	689 170
22. BAD DEBTS		
Write - off of fire service costs for the 2002/2003/2004/2005 financial years invoiced to Sisonke District Municipality	1 203 496	-
Contributions to the provision for bad debts	-	176 232
	1 203 496	176 232
23. CONTINGENT LIABILITY	-	-
24. RETIREMENT BENEFIT INFORMATION		
The personnel are members of the Natal Joint Municipal Pension Funds.		
The following information has been provided in circulars dated 22 March 2007 in respect of service to 31 March 2006 :	Retirement Fund	Superannuation Fund
Surplus in respect of pensioners	R 63,4 million	R 210,0 million
Deficit in respect of members	R(204,3)million	R(88,3)million
Percentage funded - in total	87,7%	104,3%
The Funds did not hold an investment reserve,		
An amount of R 427,410 (2006: R 150,769) was contributed by Council in respect of employees retirement funding.		
These contributions have been expensed.		

APPENDIX A
KWA SANI MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Redeemable	Balance at 30.06.2006		Received during the year		Redeemed during the year	Balance at 30.06.2007	Carrying Value of Property, Plant and Equipment
		R		R		R	R	R
Capitalised lease liability @ 10.25%	Monthly, ending May 2009	240 298				(77 204)	163 094	146 945
Development Bank of SA annuity liability @ 5.0%	Half yearly, ending January 2017	-		3 417 312		(138 431)	3 278 881	2 768 927
Capitalised lease liability @ 11.25%	Monthly, ending July 2009	-		247 652		(60 193)	187 459	207 381
Instalment sale liability @ 13.079%	Monthly, ending December 2009	-		178 140		(42 106)	136 034	134 995
		240 298		3 843 104		(317 934)	3 765 468	3 258 248

APPENDIX B

KWA SANI MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost /Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2007
	Opening Balance	Additions 2006/2007	Adjustments 2006/2007	Disposals 2006/2007	Closing Balance	Opening Balance	Additions 2006/2007	Disposals 2006/2007	Closing Balance		
Land and Buildings											
Land	2 436 725		(88 005)		2 348 720	-				2 348 720	
Buildings (Office)	1 615 798				1 615 798	224 590	56 938		281 528	1 334 270	780 000
Buildings (Library,LCH)	349 788				349 788	125 215	11 654		136 869	212 919	155 000
Fire Engine Garage(Building)	89 584				89 584	23 886	2 986		26 872	62 712	
Informal Trading Kiosk(Building)	80 565				80 565	18 303	2 685		20 988	59 577	
Public Toilets(Building)	1 250				1 250	215	48		263	987	
	4 573 710	-	(88 005)	-	4 485 705	392 209	74 311	-	466 520	4 019 185	935 000
Infrastructure											
Roads,Sreets,Taxi ranks	9 447 728	5 334 039			14 781 767	945 665	666 060		1 611 725	13 170 042	3 917 318
	9 447 728	5 334 039	-	-	14 781 767	945 665	666 060	-	1 611 725	13 170 042	3 917 318
Community Assets											
Refuse Dump	493 698	547 005			1 040 703	80 952	46 825		127 777	912 926	
Halls											
Sports Fields											
	493 698	547 005	-	-	1 040 703	80 952	46 825	-	127 777	912 926	-
Other Assets											
Motor Vehicles	809 634	321 324	(54 710)		1 076 248	264 222	181 866		446 088	630 160	350 000
Plant and Machinery/Equipment	515 529	12 619			528 148	229 460	58 018		287 478	240 670	15 569
Emergency Equipment	38 895	4 283			43 178	19 707	2 961		22 668	20 510	
Office Equipment	604 635	36 163			640 798	334 360	101 921		436 281	204 517	
Office Furniture & Fittings	246 735	11 879			258 614	77 793	31 863		109 656	148 958	60 775
Total Other Assets	2 215 428	386 268	(54 710)	-	2 546 986	925 542	376 629	-	1 302 171	1 244 815	426 344
Total Fixed Assets	16 730 564	6 267 312	(142 715)	-	22 855 161	2 344 368	1 163 825	-	3 508 193	19 346 968	5 278 662
Housing Projects	-	1 342 407	-	-	1 342 407	-	-	-	-	1 342 407	36 564 400
Total	16 730 564	7 609 719	(142 715)	-	24 197 568	2 344 368	1 163 825	-	3 508 193	20 689 375	41 843 062

APPENDIX C

**KWA SANI MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2007**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions 2006/2007	Adjustments 2006/2007	Disposals 2006/2007	Closing Balance	Opening Balance	Additions 2006/2007	Disposals 2006/2007	Closing Balance	
Administration	1 024 313	48 042	(54 710)		1 017 645	378 397	162 474		540 871	476 774
Council	4 052 524		(88 005)		3 964 519	224 590	56 938		281 528	3 682 991
Library	396 334				396 334	162 160	17 402		179 562	216 772
Licensing	20 810				20 810	4 506	2 236		6 742	14 068
Traffic	117 906	178 776			296 682	98 818	35 591		134 409	162 273
Refuse Removal	918 423	547 005			1 465 428	185 477	121 560		307 037	1 158 391
Town Estates	10 071 775	5 493 489			15 565 264	1 249 813	761 677		2 011 490	13 553 774
Fire Services	128 479				128 479	40 607	5 947		46 554	81 925
TOTAL	16 730 564	6 267 312	(142 715)	-	22 855 161	2 344 368	1 163 825	-	3 508 193	19 346 968

APPENDIX D

KWA SANI MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)
R	R	R		R	R	R
5 069 906	-	5 069 906	Rates	5 750 966	-	5 750 966
5 365 901	3 389 775	1 976 126	Finance and Administration	8 590 688	6 027 106	2 563 582
306 612	2 402 057	(2 095 445)	Executive and Council	182 600	1 898 229	(1 715 629)
293 585	328 443	(34 858)	Public Safety	633 556	1 210 378	(576 822)
114 499	150 794	(36 295)	Road Transport	160 898	355 205	(194 307)
-	149 426	(149 426)	Community and Social Services	4 011	146 212	(142 201)
745 611	818 241	(72 630)	Waste Management	1 004 665	1 334 985	(330 320)
12 703	2 460 777	(2 448 074)	Other (Town Estates)	44	3 500 357	(3 500 313)
-	801 646	(801 646)	Disaster Management	-	1 203 496	(1 203 496)
294 368	763 584	(469 216)	Planning and Development	306 198	950 853	(644 655)
-	-	-	Tourism	253 824	573 904	(320 080)
5 477 033	-	5 477 033	Government Grants for capital expenditure	4 482 478	-	4 482 478
-	-	-	Housing Projects	1 342 407	1 342 407	-
17 680 218	11 264 743	6 415 475	TOTAL	22 712 335	18 543 132	4 169 203

APPENDIX E (1)

**KWA SANI MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Budget	2007 Variance		Explanation of Significant Variances greater than 10%
	R	R	R	%	
REVENUE					
Property rates	5 750 966	5 489 224	261 742	4.8	Not applicable
Property rates-penalties and charges	170 317	120 000	50 317	41.9	Generated more income than budgeted
Service charges	1 001 104	1 147 473	(146 369)	(12.8)	Budgeted refuse and building plans income not achieved
Rental on facilities and equipment	190 383	64 000	126 383	197.5	Sisonke District Municipality back-paid outstanding rent
Interest earned-external investments	592 392	118 000	474 392	402.0	Due to change in disclosure - see R 508,591 transfer included in expenditure below
Fines	122 650	120 000	2 650	2.2	Not applicable
Licences and permits	671 804	273 219	398 585	145.9	Performed the function of two licence bureaus, namely Himeville and Bulwer
Government grants and subsidies	8 707 154	8 065 000	642 154	8.0	Includes Housing Projects grants of R 1,342,407
Capital grants	4 482 478	-	4 482 478	100.0	Not budgeted for - change in GAMAP requirements
Other Income	1 023 087	532 865	490 222	92.0	Actual includes R 574,107, adjusting 2006 balances, mainly leave and bad debt provision balances
Total Revenue	<u>22 712 335</u>	<u>15 929 781</u>			
EXPENDITURE					
Employee related costs	5 235 068	6 073 932	838 864	13.8	Vacant post of Municipal Manager not filled
Remuneration of Councillors	485 071	127 659	(357 412)	(280.0)	Back pay in November 2006 and increases from March 2007 not budgeted for
Bad debts	1 203 496	183 000	(1 020 496)	(557.6)	Write-off of Sisonke District Municipality balance - see note 22
Depreciation	1 163 825	1 990 989	827 164	41.5	Budgeted for depreciation on more 2006/2007 capital expenditure
Repairs and maintenance	365 501	312 656	(52 845)	(16.9)	Necessary additional expenditure of R 125,158 was incurred on road maintenance
Interest paid	131 440	249 965	118 525	47.4	Loans taken up later than budgeted
Grants paid	-	-	-	-	Not applicable
General expenses	8 107 733	6 732 128	(1 375 605)	(20.4)	Various items of expenditure, but includes expenditure items funded by grants
Interest earned - transferred to conditional grants and reserves	508 591	-	(508 591)	(100.0)	See interest earned in revenue above
Loss on scrapping of plant and equipment	-	-	-	-	Not applicable
Housing Projects	1 342 407	-	(1 342 407)	(100.0)	Not budgeted for as operating income and expenditure
Contribution to Capital Replacement Reserve	-	104 775	104 775	100.0	Contribution made from Accumulated Surplus in accordance with GAMAP
Total Expenditure	<u>18 543 132</u>	<u>15 775 104</u>			
SURPLUS FOR THE YEAR	<u>4 169 203</u>	<u>154 677</u>			

APPENDIX E (2)

**KWA SANI MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Budget	2007 Variance Amount	%	Explanation of Significant Variances greater than 5 %
	R	R	R		
Land and Buildings					
Buildings	-	780 000	780 000	100	Could not secure funds to undertake projects
Library	-	155 000	155 000	100	Could not secure funds to undertake project
	-	935 000	935 000		
Infrastructure					
Roads, Streets, Taxi Ranks	5 334 039	3 417 312	(1 916 727)	(56)	Obtained additional unbudgeted funding to undertake rural road projects
Street Lighting	-	500 006	500 006	100	Could not secure external loan to undertake project
	5 334 039	3 917 318	(1 416 721)		
Community Assets					
Refuse Dump	547 005	-	(547 005)	(100)	Unbudgeted project undertaken due to closure of the dump
	547 005	-	(547 005)		
Other Assets					
Motor Vehicles	321 324	350 000	28 676	8	Changes in provisions of Avis lease
Plant and Machinery	16 902	15 569	(1 333)	(9)	Replacement of equipment
Office Equipment	36 163		(36 163)	(100)	Additions were budgeted in the item below
Office Furniture & Fittings	11 879	60 775	48 896	80	See item above, and items not purchased due to MM post not being filled
	386 268	426 344	40 076		
Capitalised	6 267 312	5 278 662	(988 650)		
Housing Projects	1 342 407	36 564 400	35 221 993	96	Projects carried forward to next year
	7 609 719	41 843 062	34 233 343		

APPENDIX F

KWA SANI MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Name of Grant	Name of organ of state or municipal entity	Unspent 30.06.2006 R	Received 2007 R	Expended 2007 R	Unspent 30.06.2007 R
Equitable Share	National	-	4 783 558	(4 783 558)	-
Metering	Province of KZN	233			233
Management Assistance Programme	Province of KZN	919 398	583 377	(261 408)	1 241 367
Planning Support / IDP	Province of KZN	50 793	52 591	(100 793)	2 591
Engineering/Capacity Building	Province of KZN	4 560			4 560
Integrated Development Plan	Province of KZN	13		(13)	-
Municipal Finance Management Act	Province of KZN	102 500	7 257	(109 757)	-
Anti Corruption	Province of KZN	139 447	10 242		149 689
Development/Planning	Province of KZN	208 130	31 566	(27 109)	212 587
Property Rates Act	Province of KZN	205 842	15 225	(221 067)	-
Inter Department Monitoring	Province of KZN	17 410	719		18 129
P M S	Province of KZN	51 016	54 584	(93 328)	12 272
Project Consolidate	Province of KZN	1 081 952	73 914	(558 944)	596 922
Internal Control	Province of KZN	-	156 521		156 521
H R System	Province of KZN	-	140 530	(152 494)	(11 964)
Public Participation	Province of KZN	-	257 188	(17 600)	239 588
General valuation roll	Province of KZN	-	102 875		102 875
Capacity Building	Province of KZN	-	258 104		258 104
Dev/Admin/Capacity Building	Province of KZN	-	101 616		101 616
Dev/Planning/Capacity Building	Province of KZN	-	200 765		200 765
Capacity Building	Sisonke District Municipality	100 821	7 197		108 018
Waste Disposal Site	Sisonke District Municipality	256 799	133 048	(39 033)	350 814
IDP Review Agreement	Sisonke District Municipality	16 475		(16 475)	-
Mhlangeni Road Project	Sisonke District Municipality	479	965 766	(454 814)	511 431
Underberg Taxi Rank	Sisonke District Municipality	579	2 463 769	(2 452 520)	11 828
Thunzi Road Project	Sisonke District Municipality	-	78 947	(78 947)	-
Umkomozama Road Project	Sisonke District Municipality	-	157 893	(157 893)	-
Mqatshe Road Project	Sisonke District Municipality	-	568 313	(457 929)	110 384
Reichenau Mission Road Project	Sisonke District Municipality	-	498 516	(401 180)	97 336
Netherby Road Project	Sisonke District Municipality	-	486 637	(440 162)	46 475
Internal Audit	Sisonke District Municipality	-	165 000	(165 000)	-
Municipal Finance Management Act	National Treasury	326 889	24 441	(284 527)	66 803
M S I G	National Treasury	228 665	41 866	(186 576)	83 955
Finance Management	National Treasury	-	500 000		500 000
Property Rates Act	National Treasury	-	734 000	(76 927)	657 073
SETA Learnership Programme	Province of KZN	-	45 000	(45 000)	-
		3 712 001	8 917 467	(6 799 496)	5 829 972
ESCOM - Free Electricity	National	687 626	351 519	(13 135)	1 026 010
Free Basic Services	National	800 724		(251 036)	549 688
Stepmore Housing Project	Province of KZN	-	572 524	(460 459)	112 065
Maguswana Housing Project	Province of KZN	-	1 145 048	(881 948)	263 100
		-	1 717 572	(1 342 407)	375 165
		5 200 351	15 770 116	(13 189 632)	7 780 835

NOTES

1.No grants were delayed or withheld

2.Conditions in terms of the Division of Revenue Act were complied with all instances